



MIDVAAL LOCAL MUNICIPALITY
(Demarcation Code GT 422)
Annual Financial Statements
for the year ended 30 June 2015

MIDVAAL LOCAL MUNICIPALITY

(Demarcation code GT 422)

Financial Statements for the year ended 30 June 2015

General Information

Legal form of entity

Municipality

Municipal demarcation code - GT 422 - Governed by the MFMA (No. 56 of 2003)

Mayoral committee

Executive Mayor

B.M. Baloyi

Councillors

Speaker:

F.W. Peters

Chief Whip:

P. Pretorius

Mayoral Committee:

W. De Agrella - 5 May 2015 to 30 June 2015

M. Hack - 1 July 2014 to 4 May 2015

P. Hutcheson

S. Nkhi

R. Jones

D. Ryder

Councillors:

M.Z.P. Boland

L.S. Botsoere

C. Hartman

S.E. Hlengwa

M.M. Magagula

N. Maleko

S. Maphalla

I.S. Matsose

H. Mokoena

E. Moleko

M. Ndebele

M.G.I. Ngcobo

L. Parsonson

C. Pypers

M.M. Radebe

P. Ramushu

M.S. Schoeman

A. Van Tonder

Grading of local authority

Grade 3 Local Municipality - In terms of Remuneration of Public Office Bearers Act, Act 20 of 1998

Accounting Officer

A.S.A. De Klerk

Chief Financial Officer (CFO)

A.L. Van Schalkwyk

Physical address & Registered address

Civic Centre

25 Mitchell Street

Meyerton

Gauteng

1961

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General Information

Postal address

P O Box 9

Meyerton

Gauteng

1960

Bankers

ABSA Bank Limited

Auditors

Auditor General South Africa

Attorneys

Meise Nkaiseng Inc / Odendaal & Summerton Inc / Klopper Jonker Inc
Poswa Inc / Koulountis Inc / Mills Inc / Van de Venter Mojapelo Inc /
Malherbe, Rigg & Ranwell

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Abbreviations

DBSA	Development Bank of Southern Africa
GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act (Act 56 of 2003)
MIG	Municipal Infrastructure Grant
SALGA	South African Local Government Association

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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 4 to 63, which have been prepared on the going concern basis and were approved by the Accounting Officer on 27 August 2015.



A.S.A De Klerk

Municipal Manager
27 August 2015

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Financial Statements for the year ended 30 June 2015

Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014
Assets			
Current Assets			
Consumer debtors	3	107 061 946	102 770 779
Cash and cash equivalents	4	75 520 206	91 470 824
Inventories	5	8 726 861	6 841 950
VAT receivable	6	6 779 730	8 822 049
Other receivables from non-exchange transactions	7	5 458 807	2 299 090
Other receivables from exchange transactions	8	4 493 558	3 332 277
		208 041 108	215 536 969
Non-Current Assets			
Property, plant and equipment	9	2 040 412 158	2 086 823 723
Investment property	10	46 930 000	47 040 000
Intangible assets	11	496 941	527 552
Heritage assets	12	18 701	18 701
		2 087 857 800	2 134 409 976
Total Assets		2 295 898 908	2 349 946 945
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	13	78 031 251	88 937 055
External loans	14	15 114 247	8 678 824
Consumer deposits	15	11 646 616	10 273 776
Finance lease obligation	16	5 750 737	4 064 002
Short term portion of long-term liability	17	5 403 220	5 352 626
Provisions	18	464 179	426 147
Unspent conditional grants and receipts	19	148 590	-
		116 558 840	117 732 430
Non-Current Liabilities			
External loans	14	145 684 791	166 037 087
Provisions	18	32 218 250	37 102 722
Finance lease obligation	16	9 410 683	10 859 806
Employee benefit obligation	21	5 781 398	4 528 000
Long-term liability	17	2 251 341	8 003 642
		195 346 463	226 531 257
Total Liabilities		311 905 303	344 263 687
Net Assets		1 983 993 605	2 005 683 258
Accumulated surplus		1 983 993 605	2 005 683 258

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Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014
Revenue			
Service charges	22	442 118 545	421 537 853
Property rates	23	134 780 356	106 157 365
Government grants & subsidies	20	105 445 256	104 564 405
Fines		46 888 299	48 726 013
Other income	24	23 943 562	20 249 489
Interest received - consumer debtors		10 186 285	6 048 615
Public contributions and donations		6 557 519	60 114
Interest received - investment	25	6 011 672	4 850 916
Developers contributions		2 190 612	2 663 992
Rental of facilities & equipment		1 532 323	1 142 264
Gain on disposal of assets		5 100	456 342
Total revenue		779 659 529	716 457 368
Expenditure			
Bulk purchases	26	(216 707 924)	(198 229 883)
Employee related cost	27	(172 597 945)	(125 997 709)
Depreciation and amortisation	28	(112 943 498)	(115 484 153)
Debt Impairment	29	(70 543 356)	(57 609 077)
Contracted services	30	(54 105 960)	(56 015 080)
General Expenses	31	(46 087 206)	(45 676 514)
Repairs and maintenance		(41 066 108)	(30 203 487)
Water non revenue	32	(25 662 572)	(24 777 916)
Electrical distribution losses	33	(21 417 623)	(21 001 576)
Finance costs	34	(18 898 632)	(16 722 328)
Remuneration of councillors		(9 045 852)	(8 740 935)
Cost of free basic services		(7 316 478)	(6 221 668)
Grants and subsidies paid		(3 802 656)	(1 494 313)
Loss on disposal of assets		(1 153 372)	(1 087 366)
Total expenditure		(801 349 182)	(709 262 005)
Operating (deficit) surplus		(21 689 653)	7 195 363
(Deficit) surplus for the year		(21 689 653)	7 195 363

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	1 979 338 893	1 979 338 893
Adjustments		
Prior period errors - Note 41	19 149 002	19 149 002
Balance at 01 July 2013 as restated	1 998 487 895	1 998 487 895
Changes in net assets		
Surplus/(Deficit) for the year	7 195 363	7 195 363
Total changes	7 195 363	7 195 363
Balance at 01 July 2014 as restated	2 005 683 258	2 005 683 258
Surplus/(Deficit) for the year	(21 689 653)	(21 689 653)
Total changes	(21 689 653)	(21 689 653)
Balance at 30 June 2015	1 983 993 605	1 983 993 605

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Cash Flow Statement

Figures in Rand	Note(s)	2015	2014
Cash flows from operating activities			
Receipts			
Cash receipts from ratepayers, government and other		330 469 210	255 504 046
Cash receipts from services/charges		365 544 307	377 474 742
Interest income		6 011 672	4 850 916
		702 025 189	637 829 704
Payments			
Cash paid to employees		(181 643 810)	(134 738 643)
Cash paid to suppliers and other		(431 517 212)	(399 873 937)
Finance costs		(18 898 632)	(16 722 328)
		(632 059 654)	(551 334 908)
Net cash flows from operating activities	53	69 965 535	86 494 796
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	9	(68 969 219)	(86 171 548)
Proceeds from sale of property, plant and equipment	9	2 374 621	9 729 743
Proceeds from sale of investment property	10	110 000	-
Net cash flows from investing activities		(66 484 598)	(76 441 805)
Cash flows from financing activities			
Increase/(Decrease) in external loans		(13 916 918)	45 610 444
Increase/(Decrease) in finance leases		237 658	5 161 642
Increase/(Decrease) in other long term liabilities		(5 752 301)	(9 838 440)
Net cash flows from financing activities		(19 431 561)	40 933 646
Net increase/(decrease) in cash and cash equivalents		(15 950 624)	50 986 637
Cash and cash equivalents at the beginning of the year		91 470 824	40 484 187
Cash and cash equivalents at the end of the year	4	75 520 200	91 470 824

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reason
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	479 663 753	(7 695 489)	471 968 264	442 118 545	(29 849 719)	Load shedding
Interest received (trading)	4 000 000	3 000 000	7 000 000	10 186 285	3 186 285	Increased debtors
Miscellaneous other revenue	-	-	-	5 100	5 100	Sale of assets
Rental of facilities and equipment	1 300 000	-	1 300 000	1 532 323	232 323	Increased demand
Other income	17 149 741	2 476 225	19 625 966	23 943 562	4 317 596	Unpredictable revenue
Interest received - investment	2 000 000	1 300 000	3 300 000	6 011 672	2 711 672	Increased cash
Total revenue from exchange transactions	504 113 494	(919 264)	503 194 230	483 797 487	(19 396 743)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	130 588 389	2 041 250	132 629 639	134 780 356	2 150 717	New developments
Transfer revenue						
Government grants & subsidies	108 354 902	197 577	108 552 479	105 445 256	(3 107 223)	Heath subsidy outstanding
Public contributions and donations	1 530 000	4 343 226	5 873 226	6 557 519	684 293	New developments
Fines	14 523 000	35 000 000	49 523 000	46 888 299	(2 634 701)	Minor variance
Developers contribution	5 550 000	(1 700 000)	3 850 000	2 190 612	(1 659 388)	Sewer capacity constrains
Total revenue from non-exchange transactions	260 546 291	39 882 053	300 428 344	295 862 042	(4 566 302)	
Total revenue	764 659 785	38 962 789	803 622 574	779 659 529	(23 963 045)	
Expenditure						
Personnel	(186 356 469)	(773 837)	(187 130 306)	(172 597 945)	14 532 361	Vacancies
Remuneration of councillors	(9 052 058)	-	(9 052 058)	(9 045 852)	6 206	Minor variance
Electricity distrubution losses	-	-	-	(21 417 623)	(21 417 623)	Cir 70 imp
Grants paid	(5 926 265)	422 582	(5 503 683)	(3 802 656)	1 701 027	Decreased indigents
Depreciation and amortisation	(131 699 993)	-	(131 699 993)	(112 943 498)	18 756 495	Low capital investment
Finance costs	(18 805 823)	(1 000 000)	(19 805 823)	(18 898 632)	907 191	Interest rate
Lease rentals on operating lease	-	-	-	(7 316 478)	(7 316 478)	
Bad debts written off	(28 679 751)	(36 030 165)	(64 709 916)	(70 543 356)	(5 833 440)	Low collection
Disposal on assets	-	-	-	(1 153 372)	(1 153 372)	Sale of assets
Repairs and maintenance	(46 793 637)	284 828	(46 508 809)	(41 066 108)	5 442 701	Wet season
Contracted Services	(56 980 604)	(731 362)	(57 711 966)	(54 105 960)	3 606 006	Cost curtailment
Water non revenue	-	-	-	(25 662 572)	(25 662 572)	Cir 70 imp

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reason
Figures in Rand						
General Expenses	(336 695 438)	(1 607 907)	(338 303 345)	(262 795 130)	75 508 215	Cost curtailment
Total expenditure	(820 990 038)	(39 435 861)	(860 425 899)	(801 349 182)	59 076 717	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(56 330 253)	(473 072)	(56 803 325)	(21 689 653)	35 113 672	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reason
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Figures in Rand

Statement of Financial Position

Assets

Current Assets

Inventories	7 274 883	251 262	7 526 145	8 726 861	1 200 716	Inflation
Other receivables from exchange transactions	6 621 285	(3 873 047)	2 748 238	4 493 558	1 745 320	Payments in advance
Other receivables from non-exchange transactions	-	2 528 999	2 528 999	5 458 807	2 929 808	Health subsidy
VAT receivable	7 165 584	2 538 670	9 704 254	6 779 730	(2 924 524)	Final VAT transactions
Consumer debtors	106 106 559	33 004 064	139 110 623	107 061 944	(32 048 679)	VAT treatment
Cash and cash equivalents	47 238 540	13 267 673	60 506 213	75 520 206	15 013 993	Cost curtailment
	174 406 851	47 717 621	222 124 472	208 041 106	(14 083 366)	

Non-Current Assets

Investment property	52 892 000	(5 405 000)	47 487 000	46 930 000	(557 000)	Minor variance
Property, plant and equipment	2 019 945 062	(10 533 641)	2 009 411 421	2 040 412 158	31 000 737	Land recon
Intangible assets	1 705	1 359 726	1 361 431	496 941	(864 490)	Minor variance
Heritage assets	428	18 273	18 701	18 701	-	Minor variance
	2 072 839 195	(14 560 642)	2 058 278 553	2 087 857 800	29 579 247	
Total Assets	2 247 246 046	33 156 979	2 280 403 025	2 295 898 906	15 495 881	

Liabilities

Current Liabilities

External loans	-	15 013 670	15 013 670	15 114 247	100 577	Minor variance
Finance lease obligation	-	5 642 413	5 642 413	5 750 737	108 324	Minor variance
Trade and other payables from exchange transactions	42 794 911	20 821 473	63 616 384	78 031 257	14 414 873	Cost curtailment
VAT payable	11 933 725	(11 933 725)	-	-	-	DT VAT treatment
Consumer deposits	10 933 237	367 917	11 301 154	11 646 616	345 462	Minor variance
Unspent conditional grants and receipts	-	-	-	148 590	148 590	DGARD Grant
Provisions	-	455 977	455 977	464 179	8 202	Minor variance
Short term portion of long-term liability	40 102 267	-	40 102 267	5 403 220	(34 699 047)	
	105 764 140	30 367 725	136 131 865	116 558 846	(19 573 019)	

Non-Current Liabilities

External loans	166 105 364	(20 267 346)	145 838 018	145 684 791	(153 227)	Minor variance
Finance lease obligation	16 952 845	(13 088 063)	3 864 782	9 410 683	5 545 901	Lease recon
Employee benefit obligation	5 280 000	(435 040)	4 844 960	5 781 398	936 438	Revaluation
Provisions	46 084 918	(6 385 005)	39 699 913	32 218 250	(7 481 663)	Revaluation
Long-term liability	-	2 651 016	2 651 016	2 251 341	(399 675)	Minor variance
	234 423 127	(37 524 438)	196 898 689	195 346 463	(1 552 226)	
Total Liabilities	340 187 267	(7 156 713)	333 030 554	311 905 309	(21 125 245)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reason
Figures in Rand						
Net Assets	1 907 058 779	40 313 692	1 947 372 471	1 983 993 597	36 621 126	
Net Assets Attributable to Owners of Controlling Municipality						
Reserves						
Accumulated surplus	1 907 058 779	40 313 692	1 947 372 471	1 983 993 597	36 621 126	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reason
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Cash receipts from ratepayers, government and other	281 796 032	45 128 279	326 924 311	330 469 210	3 544 899	Minor variance
Cash receipts from service charges	445 205 810	(62 465 954)	382 739 856	365 544 307	(17 195 549)	Load shedding
Interest income	2 000 000	1 300 000	3 300 000	6 011 672	2 711 672	Increased cash
	729 001 842	(16 037 675)	712 964 167	702 025 189	(10 938 978)	
Payments						
Employee costs	(195 408 527)	(767 339)	(196 175 866)	(181 643 810)	14 532 056	Vacancies
Suppliers	(444 499 822)	8 154 293	(436 345 529)	(432 351 091)	3 994 438	Minor variance
Finance costs	(18 805 823)	(1 000 000)	(19 805 823)	(18 898 632)	907 191	Interest rate
Non cash adjustment	-	-	-	833 879	833 879	Asset restatement
	(658 714 172)	6 386 954	(652 327 218)	(632 059 654)	20 267 564	
Net cash flows from operating activities	70 287 670	(9 650 721)	60 636 949	69 965 535	9 328 586	
Cash flows from investing activities						
Purchase of property, plant and equipment	(81 191 545)	13 007 853	(68 183 692)	(68 969 219)	(785 527)	Minor variance
Proceeds on disposal of property, plant and equipment	-	-	-	2 484 621	2 484 621	Asset disposal
Net cash flows from investing activities	(81 191 545)	13 007 853	(68 183 692)	(66 484 598)	1 699 094	
Cash flows from financing activities						
Repayment of external loans	(13 261 158)	(603 065)	(13 864 223)	(13 916 918)	(52 695)	Minor variance
Finance lease payments	(409 677)	999 677	590 000	(5 066 348)	(5 656 348)	Lease recon
Finance lease receipts	-	(6 006 613)	(6 006 613)	5 304 006	11 310 619	Lease recon
Decrease in Other Long Term Liabilities	-	(5 352 626)	(5 352 626)	(5 752 301)	(399 675)	Minor variance
Net cash flows from financing activities	(13 670 835)	(10 962 627)	(24 633 462)	(19 431 561)	5 201 901	
Net increase/(decrease) in cash and cash equivalents	(24 574 710)	(7 605 495)	(32 180 205)	(15 950 624)	16 229 581	Cost curtailment
Cash and cash equivalents at the end of the year	71 813 250	19 657 573	59 290 619	75 520 201	16 229 581	

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Accounting Policies

1. Presentation of Annual Financial Statements

Basis of Preparation

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

The principal accounting policies, applied in the preparation of these annual financial statements, are set out below. These accounting policies are consistent with those applied in the preparation of the prior year annual financial statements, unless specified otherwise. Details of any changes in the accounting policies are provided in the note "Changes in accounting policy."

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared on a going concern basis.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. These judgements and sources of estimation uncertainty have been covered in the relevant notes and relevant accounting policies. Significant judgments and underlying assumptions are reviewed on a consistent basis.

Trade and other receivables

The municipality assesses its trade and other receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade and other receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including uncontrollable ageing, together with economic factors such as inflation.

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Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Provisions and contingencies

Provisions are recognised when:

- The municipality has a present obligation as a result of a past event.
- It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure to be required to settle the present obligation at the reporting date.

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

Contingencies disclosed in the current year required estimates and judgements. Additional disclosure of these contingent liabilities is included in the relevant note.

Useful lives of assets

The municipality determines the estimated useful lives and related depreciation charges for the municipality's assets. The remaining useful lives are reviewed at each reporting date.

Defined benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in notes in the financial statements.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors, an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- Use in the production or supply of goods or services; or for
- Administrative purposes, or
- Sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

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1.4 Investment property (continued)

At initial recognition, the municipality measures investment property at cost, including transaction costs, once it meets the definition of investment property. Where an investment property was acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Cost model

Investment property is subsequently measured at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset are depreciated separately.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- It is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- The cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. Cost also includes initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located. Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Where property, plant and equipment is acquired through non-exchange transactions, the cost is deemed to be the item's fair value on the date of acquisition. The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. Subsequent cost is capitalised when the recognition and measurement criteria of an asset are met.

Property, plant and equipment are subsequently measured at cost, less accumulated depreciation and accumulated impairment losses.

The municipality depreciates separately each part of an item of property, plant and equipment that has a cost that is significant in relation to the total cost of the item. Costs of replacing parts are capitalised and the existing parts being replaced are derecognised. Depreciation is calculated using the straight-line method, over the estimated useful lives of the assets.

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1.5 Property, plant and equipment (continued)

The depreciation rates are based on the following estimated useful lives:

Item	Useful life
Land	Indefinite
Infrastructure	
- Buildings	30
- Roads and paving	10 - 30
- Electricity	20 - 30
- Water	15 - 20
- Sewerage	15 - 20
- Landfill site	17
Community	
- Buildings	30
- Recreational facilities	20 - 30
- Security	5
Other property, plant and equipment	
- Buildings	30
- Specialised vehicles	10 - 20
- Other vehicles	5
- Furniture and fittings	10
- Vehicles	5
- Bins and containers	5 - 10
- Office equipment	5 - 7
Capitalised leased assets	
- Vehicles	5

The asset management policy contains the details of the components and their specific useful life estimates.

The residual value, the useful life and the depreciation method of Property, plant and equipment are reviewed at least at every reporting date.

At each reporting date all items of Property, plant and equipment are reviewed for any indication that it may be impaired. An impairment exists when an assets carrying amount is greater than its recoverable amount or recoverable service amount.

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.6 Intangible assets

An intangible asset is an identifiable, non-monetary asset without physical substance. Intangible assets are identifiable resources controlled by the municipality from which the municipality expects to derive future economic benefits or service potential.

Intangible assets are identifiable when they can be separated from the municipality, i.e. is capable of being separated or divided from the municipality and sold, exchanged, licensed or, when they arise as a result of a contractual or other legal right, excluding those legal rights that arise from statute.

The municipality recognises an intangible asset in its statement of financial position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and the municipality can measure the cost or fair value of the asset reliably.

An intangible asset is measured initially at cost.

The municipality does not recognise internally generated goodwill as an intangible asset. It also does not recognise internally generated brands, mastheads, publishing titles, customer lists and items similar in substance, as intangible assets.

The cost of an internally generated intangible asset is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria.

Intangible assets are subsequently carried at cost less accumulated amortisation and accumulated impairment losses.

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Accounting Policies

1.6 Intangible assets (continued)

The municipality assesses whether the useful life or service potential of an intangible asset is finite or indefinite. The municipality regards an intangible asset as having an indefinite useful life when there is no foreseeable limit to the period over which the municipality expects the asset to generate net cash inflows or service potential for the municipality. Intangible assets with indefinite useful lives are not amortised.

The useful life of an intangible asset that arises from contractual or legal rights does not exceed the period of the contractual or legal rights, but may be shorter depending on the period over which the municipality expects to use the asset.

The municipality reviews the amortisation method, useful lives and residual values of intangible assets annually. The estimated useful lives are as follows:

Item	Useful life
Computer software	3 - 5 years

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.7 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An inalienable item is an asset that a municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

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Accounting Policies

1.8 Financial instruments

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- The municipality designates at fair value at initial recognition or
- Are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class

Other receivables from exchange transactions
Other receivables from non-exchange transactions
Consumer debtors
Cash and cash equivalents

Category

Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class

Long-term liabilities/External loans
Payables from exchange transactions
Finance lease obligations
Consumer deposits

Category

Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- A social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- Non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following category:

- Financial instruments at amortised cost.

All financial assets measured at amortised cost are subject to an impairment review.

Accounting Policies

1.8 Financial instruments (continued)

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets are impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Derecognition

Financial assets

The municipality derecognises financial assets (or part of a financial assets) when the contractual rights to the cash flows from the financial asset expire, are settled or waived or when the municipality has transferred all of the significant risks and rewards of ownership using trade date accounting.

On derecognition of a financial asset (or part of a financial asset), the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the municipality does not offset the transferred asset and the associated liability.

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1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.10 Inventories

Inventories are assets in the form of materials or supplies to be consumed or distributed in the rendering of services or held for distribution in the ordinary course of operations.

Inventories is recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and the cost of the inventories can be measured reliably.

Inventories are initially recognised at cost. Cost comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Where inventories are acquired through a non-exchange transaction, their cost is measured at their fair value as at the date of acquisition.

Inventories are subsequently measured at the lower of cost and net realisable value unless distributed through a non-exchange transaction or consumed in the production process of goods to be distributed at no charge or for a nominal charge, in which case they are measured at the lower of cost and current replacement cost.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset. The cost of inventories is assigned by using the first-in, first-out (FIFO) formula, except for water balance which is determined at cost at the reporting date due to it being measured at reporting date.

Redundant and slow-moving inventories are identified and written down/written off. Inventories identified for write down/write off, but for which a council resolution, to authorise the write down/write off, has not yet been obtained, is provided for as a provision for obsolete stock. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Accounting Policies

1.11 Impairment of cash-generating and non-cash generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated municipality, it generates a commercial return. Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

The municipality classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount or when the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test an intangible asset with an indefinite useful life or an intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

The present value of the remaining service potential of a non-cash-generating assets is determined using the most appropriate between the following approaches:

- Depreciation replacement cost approach;
- Restoration cost approach; and
- Service units approach.

Recognition and measurement

If the recoverable amount or recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount or recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.11 Impairment of cash-generating and non-cash generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount or recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount or recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount or recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for an asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.12 Employee benefits

Employee benefits are all forms of consideration given by a municipality in exchange for service rendered by employees.

Short-term employee benefits

Short-term employee benefits are employee benefits that are due to be settled within twelve months after the end of the period in which the employees render the related service.

When an employee has rendered a service to the municipality during a reporting period, the municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- As a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- As an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which a municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one municipality, on the basis that contribution and benefit levels are determined without regard to the indemnity of the municipality that employs the employees concerned.

Accounting Policies

1.12 Employee benefits (continued)

Multi-employer plans

The municipality classifies a multi-employer plan as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the municipality accounts for its proportionate share in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the municipality accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the municipality accounts for the plan as if it was a defined contribution plan.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the municipality pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service:

- As a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, a municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- As an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the municipality recognise past service cost as an expense in the reporting period in which the plan is amended.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The municipality accounts not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits.

The amounts recognised as a defined benefit liability is the net total of the following amounts:

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Accounting Policies

1.12 Employee benefits (continued)

- The present value of the defined benefit obligation at the reporting date;
- Minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly; and
- Plus any liability that may arise as a result of a minimum funding requirement.

The municipality determines the present value of defined benefit obligations with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- Current service cost;
- Interest cost;
- Actuarial gains and losses;
- Past service cost; and
- The effect of any curtailments or settlements

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the municipality attributes benefits to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the municipality attributes the benefit on a straight-line basis from:

- The date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- The date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- Estimated future salary increases;
- The benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and

Accounting Policies

1.12 Employee benefits (continued)

- Estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- Those changes were enacted before the reporting date; or
- Past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

The municipality provides post-retirement health care benefits upon retirement to some retirees. The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations.

1.13 Provisions and contingencies

Provisions are recognised when:

- The municipality has a present obligation as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- A reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes in the Financial Statements.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

- Changes in the liability is added to, or deducted from, the cost of the related asset in the current period;
- The amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- If the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the municipality tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11.

The adjusted depreciable amount of the asset is depreciated over its remaining useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

Accounting Policies

1.14 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/goods sold, the value of which approximates the consideration received or receivable.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Revenue is measured at the fair value of the consideration received or receivable.

When the inflow of cash or cash equivalents is deferred and the fair value of the consideration is less than the nominal amount of cash received or receivable, the arrangement effectively constitutes a financing transaction. The fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services. The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

Service charges relating to electricity and water are based on consumption. Meters are read on a periodic basis and revenue is recognised when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed and are based on the consumption history. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period. There are areas within the municipality where an un-metered water tariff is applied based on estimated consumption as per promulgated tariffs. Revenue for these is recognised when invoiced.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property. Tariffs are determined per category of property size, and are levied monthly. Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Revenue from the sale of goods is recognised when the following conditions have been satisfied:

- The municipality has transferred to the buyer the significant risks and rewards of ownership;
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Accounting Policies

1.15 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arises when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another municipality in exchange.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

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Accounting Policies

1.15 Revenue from non-exchange transactions (continued)

Taxes (including property rates)

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers (including grants)

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine is not revenue of the municipality as collecting municipality.

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind are not recognised.

1.16 Events after the reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date; and
- Those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date

The municipality adjusts the amounts recognised in its financial statements to reflect adjusting events after the reporting date. The municipality does not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting date.

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Accounting Policies

1.17 Commitments

The municipality discloses each class of capital assets (PPE, Investment properties, Intangible assets and Heritage assets) recognised in the financial statements, as well as future minimum lease payments under non-cancellable operating leases, for each of the following periods:

- Not later than one year,
- Later than one year and not later than five years, and
- Later than five years

1.18 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipalities should provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01 July 2014 to 30 June 2015.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period has been included in the Statement of comparison of budget and actual amounts.

1.19 Related parties

A related party is a person or a municipality with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or a municipality that is subject to common control, or joint control. Related party relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Related parties include:

- Key management personnel, close members of the family of key management personnel and councillors.

Key management personnel include all directors or members of the municipal council of the reporting municipality where that council has jurisdiction. The Council, together with the Municipal Manager and Section 57 employees has authority and responsibility to plan and control the activities of the municipality, to manage the resources and for the overall achievement of municipal objectives.

Close members of the family of an individual are close relatives of the individual or members of the individual's immediate family who can be expected to influence, or be influenced by, that individual in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.20 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

Change in accounting policy due to amendments to GRAP 5 - Borrowing costs

The adoption of amendments to GRAP 5 - Borrowing costs resulted in a change in accounting policy during the current period. The effect of the change is that borrowing costs are now expensed when incurred, and this change is applied prospectively since 2014/07/01. The effective date of the amendments was 2014/04/01.

Borrowing costs, incurred both before and after the effective date of this amendment and related to qualifying assets for which the commencement date for capitalisation is prior to the effective date of this Standard, is recognised in accordance with the municipality's previous accounting policy.

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Accounting Policies

1.21 VAT

The municipality accounts for Value Added Tax (VAT) on the payments basis.

1.22 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason of reclassification is disclosed. Where material prior period errors have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

1.23 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, economic municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.24 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.25 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
- GRAP 18: Segment Reporting	01 April 2015	Not material
- GRAP 105: Transfers of functions between entities under common control	01 April 2015	Not material
- GRAP 106: Transfers of functions between entities not under common control	01 April 2015	Not material
- GRAP 107: Mergers	01 April 2015	Not material
- GRAP 20: Related parties	01 April 2015	Not material
- IGRAP 11: Consolidation – Special purpose entities	01 April 2015	Not material
- IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2015	Not material
- GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2015	Not material
- GRAP 7 (as revised 2010): Investments in Associates	01 April 2015	Not material
- GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2015	Not material
- GRAP32: Service Concession Arrangements: Grantor	01 April 2015	Not material
- GRAP108: Statutory Receivables	01 April 2015	Not material
- IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2015	Not material
- DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP	01 April 2015	Not material

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Figures in Rand	2015	2014
3. Consumer debtors		
Gross balances		
Rates	42 124 448	34 048 503
Electricity	27 213 312	27 647 026
Water	56 742 095	44 810 696
Sewerage	17 473 924	13 636 893
Refuse	14 572 858	11 113 050
Other	37 009 546	37 594 077
	195 136 183	168 850 245
Less: Allowance for impairment		
Rates	(20 003 441)	(13 881 542)
Electricity	(5 157 280)	(3 769 340)
Water	(22 216 646)	(15 288 189)
Sewerage	(8 698 480)	(5 852 258)
Refuse	(7 566 302)	(4 808 274)
Other	(24 432 088)	(22 479 863)
	(88 074 237)	(66 079 466)
Net balance		
Rates	22 121 007	20 166 961
Electricity	22 056 032	23 877 686
Water	34 525 449	29 522 507
Sewerage	8 775 444	7 784 635
Refuse	7 006 556	6 304 776
Other	12 577 458	15 114 214
	107 061 946	102 770 779
Rates		
Current (0 -30 days)	6 972 540	5 826 724
31 - 60 days	867 340	1 013 450
61 - 90 days	813 512	1 283 203
91 - 120 days	692 518	677 099
121 - 365 days	4 204 166	3 069 969
> 365 days	8 570 931	8 296 516
	22 121 007	20 166 961
Electricity		
Current (0 -30 days)	17 341 923	20 057 640
31 - 60 days	1 130 858	879 761
61 - 90 days	140 180	161 510
91 - 120 days	212 911	207 522
121 - 365 days	1 046 708	621 804
> 365 days	2 183 452	1 949 449
	22 056 032	23 877 686
Water		
Current (0 -30 days)	14 330 537	13 898 711
31 - 60 days	613 153	424 336
61 - 90 days	455 499	413 799
91 - 120 days	523 586	325 357
121 - 365 days	3 238 128	2 302 980
> 365 days	15 364 546	12 157 324
	34 525 449	29 522 507

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3. Consumer debtors disclosure (continued)		
Sewerage		
Current (0 -30 days)	1 376 402	1 552 680
31 - 60 days	139 712	104 300
61 - 90 days	121 552	213 027
91 - 120 days	155 770	142 912
121 - 365 days	1 204 975	636 819
> 365 days	5 777 033	5 134 897
	8 775 444	7 784 635
Refuse		
Current (0 -30 days)	1 438 136	1 571 549
31 - 60 days	152 643	286 440
61 - 90 days	155 558	196 223
91 - 120 days	118 715	225 924
121 - 365 days	1 414 476	749 719
> 365 days	3 727 028	3 274 921
	7 006 556	6 304 776
Other		
Current (0 -30 days)	1 087 419	1 710 263
31 - 60 days	221 775	136 040
61 - 90 days	310 731	456 769
91 - 120 days	263 787	276 024
121 - 365 days	4 983 154	1 299 867
> 365 days	5 710 592	11 235 251
	12 577 458	15 114 214
Summary of debtors by customer classification		
Residential		
Current (0 -30 days)	34 098 217	36 267 705
31 - 60 days	2 261 463	1 855 980
61 - 90 days	2 538 817	2 919 345
91 - 120 days	2 842 460	2 691 676
121 - 365 days	26 403 521	16 180 116
> 365 days	107 425 781	89 502 422
	175 570 259	149 417 244
Less: Allowance for impairment	(80 300 145)	(60 021 953)
	95 270 114	89 395 291
Industrial/ commercial		
Current (0 -30 days)	11 101 285	11 539 908
31 - 60 days	1 417 896	1 389 628
61 - 90 days	142 980	419 730
91 - 120 days	190 525	138 536
121 - 365 days	3 339 386	1 306 079
> 365 days	11 641 462	8 969 736
	27 833 534	23 763 617
Less: Allowance for impairment	(7 756 380)	(6 051 288)
	20 077 154	17 712 329

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3. Consumer debtors disclosure (continued)		
National and provincial government		
Current (0 -30 days)	515 568	390 071
31 - 60 days	49 910	16 223
61 - 90 days	45 297	55 684
91 - 120 days	53 311	35 669
121 - 365 days	515 335	637 720
> 365 days	5 555 122	6 689 941
	6 734 543	7 825 308
Less: Allowance for impairment	(17 712)	(6 225)
	6 716 831	7 819 083
Total		
Current (0 -30 days)	43 227 334	48 197 687
31 - 60 days	3 400 655	3 261 830
61 - 90 days	2 532 262	3 394 760
91 - 120 days	2 846 256	2 865 882
121 - 365 days	28 133 821	18 123 915
> 365 days	114 995 855	93 006 171
	195 136 183	168 850 245
Less: Allowance for impairment	(88 074 237)	(66 079 466)
	107 061 946	102 770 779
Provision for debt impairment		
31 - 60 days	(680 377)	(600 823)
61 - 90 days	(275 174)	(148 126)
91 - 120 days	(535 231)	(450 918)
121 - 365 days	(878 968)	(783 853)
> 365 days	(85 704 487)	(64 095 746)
	(88 074 237)	(66 079 466)
Reconciliation of allowance for impairment		
Balance at beginning of the year	(66 079 466)	(63 208 550)
Contributions to allowance	(39 507 664)	(23 500 868)
Debt impairment written off against allowance	17 512 893	20 629 952
	(88 074 237)	(66 079 466)
Credit quality of consumer debtors		
The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.		
Consumer debtors impaired		
As of 30 June 2015, ageing consumer debtors of R 88 074 237 (2014: R 66 079 466) were impaired and provided for.		
Receivables from non-exchange transactions (included in consumer debtors)		
Property rates	22 121 007	20 166 961

All other receivables included in consumer debtors are receivables from exchange transactions.

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Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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4. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	75 132 166	91 069 048
Other cash and cash equivalents	388 040	401 776
	75 520 206	91 470 824

Current Account (Primary bank account)

ABSA Bank Ltd - Public Gauteng East Branch

Current Account (Traffic fines)

First National Bank - Meyerton Branch

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
ABSA Bank Ltd	77 395 330	90 432 855	23 494 117	75 020 569	90 330 311	23 266 483
FNB	110 588	738 737	1 342 439	111 597	738 737	1 342 439
Total	77 505 918	91 171 592	24 836 556	75 132 166	91 069 048	24 608 922

Guarantees held in lieu of Electricity and Water deposits

Itron	13 350 000	-
Sedibeng Brewery Pty Ltd	7 109 000	7 109 000
Other	340 200	185 200
	20 799 200	7 294 200

5. Inventories

Maintenance materials - Electricity	7 240 564	4 914 679
Maintenance materials - Water	1 165 048	1 523 831
Water	210 618	275 729
Fuel (Diesel, Petrol)	110 631	127 711
	8 726 861	6 841 950

6. VAT receivable

VAT	6 779 730	8 822 049
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7. Other receivables from non-exchange transactions

Fines	4 636 105	1 364 580
Government grants and subsidies	822 702	934 510
	5 458 807	2 299 090

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Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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7. Other receivables from non-exchange transactions (continued)

Credit quality of other receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Other receivables from non-exchange transactions impaired

In 2014 Traffic fine revenue of R 48 726 013 was raised of which R 34 108 209 was impaired. Council resolved to write off Traffic fines to the amount of R 34 108 209 at the end of 2015. In 2015 Traffic fine revenue of R 46 888 299 was raised and a further R 35 000 000 was impaired.

8. Other receivables from exchange transactions

Sundry debtors	3 441 165	2 390 934
Deposits paid on purchase of properties	933 879	833 879
Rental	118 514	107 464
	4 493 558	3 332 277

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

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Figures in Rand

9. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	106 451 463	-	106 451 463	105 124 893	-	105 124 893
Infrastructure	2 521 715 013	(714 561 486)	1 807 153 527	2 478 649 411	(615 769 267)	1 862 880 144
Community	130 739 462	(44 514 413)	86 225 049	123 946 668	(38 183 465)	85 763 203
Other property, plant and equipment	54 900 100	(32 224 573)	22 675 527	46 923 065	(29 274 587)	17 648 478
Other leased Assets	24 360 301	(6 453 709)	17 906 592	19 561 248	(4 154 243)	15 407 005
Total	2 838 166 339	(797 754 181)	2 040 412 158	2 774 205 285	(687 381 562)	2 086 823 723

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	105 124 893	1 332 570	(6 000)	-	-	106 451 463
Infrastructure	1 862 880 146	45 521 397	(852 690)	(100 435 388)	40 062	1 807 153 527
Community	85 763 201	8 928 772	(2 466 063)	(6 000 861)	-	86 225 049
Other property, plant and equipment	17 648 478	9 336 353	(197 005)	(4 059 245)	(53 054)	22 675 527
Other leased Assets	15 407 005	4 799 053	-	(2 299 466)	-	17 906 592
	2 086 823 723	69 918 145	(3 521 758)	(112 794 960)	(12 992)	2 040 412 158

Reconciliation of property, plant - 2014

	Opening balance	Additions	Disposals	Transfers	Other adjustments	Depreciation	Impairment loss	Total
Land	104 016 940	1 107 953	-	-	-	-	-	105 124 893
Infrastructure	1 898 667 128	64 736 529	(94 233)	-	-	(99 962 013)	(467 265)	1 862 880 146
Community	91 716 831	8 713 197	(9 710 195)	-	4 452 879	(9 409 511)	-	85 763 201
Other property, plant and equipment	18 553 059	5 310 309	(528 339)	(1 383 729)	-	(4 306 569)	3 747	17 648 478
Other leased Assets	9 192 689	6 087 782	-	1 383 729	-	(1 257 195)	-	15 407 005
	2 122 146 647	85 955 770	(10 332 767)	-	4 452 879	(114 935 288)	(463 518)	2 086 823 723

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9. Property, plant and equipment (continued)

Pledged as security

No portion of Property, Plant and Equipment has been pledged as securities for liabilities.

Reconciliation of Work-in-Progress 2015

	Included within Infrastructure	Total
Opening balance	47 116 790	47 116 790
Movement for the year	12 952 160	12 952 160
	60 068 950	60 068 950

Reconciliation of Work-in-Progress 2014

	Included within Infrastructure	Total
Opening balance	24 923 196	24 923 196
Movement for the year	22 193 594	22 193 594
	47 116 790	47 116 790

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

RDP Houses

In addition to Property, plant and equipment above the municipality has land on which RDP houses have been built. The land is still registered in the deeds office in the name of the municipality. The municipality does not have control over these properties and it is therefore not recognised as assets as it does not comply with the definition of assets as per GRAP 17. These RDP houses are in the process of being transferred. Total value: R 16 200 000 (2014: R 9 155 000).

10. Investment property

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Vacant land	46 930 000	-	46 930 000	47 040 000	-	47 040 000

Reconciliation of investment property - 2015

	Opening balance	Disposals	Total
Vacant land	47 040 000	(110 000)	46 930 000

Reconciliation of investment property - 2014

	Opening balance	Disposals	Total
Vacant land	47 068 000	(28 000)	47 040 000

Pledged as security

No portion of Investment Properties has been pledged as securities for liabilities.

Details of property

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

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11. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	717 266	(220 325)	496 941	665 091	(137 539)	527 552

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	527 552	106 074	(1 135)	(135 550)	496 941

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software	397 121	215 775	(85 344)	527 552

Pledged as security

No portion of Intangible assets has been pledged as securities for liabilities.

12. Heritage assets

	2015			2014		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Other heritage assets	18 701	-	18 701	18 701	-	18 701

Reconciliation of heritage assets 2015

	Opening balance	Total
Other heritage assets	18 701	18 701

Reconciliation of heritage assets 2014

	Opening balance	Total
Other heritage assets	18 701	18 701

Pledged as security

No portion of Heritage assets has been pledged as securities for liabilities.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

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13. Trade and other payables from exchange transactions		
Trade payables	39 903 749	51 494 773
Payments received in advanced	24 319 274	23 986 947
Other payables	2 937 499	2 494 970
Retention	2 903 902	3 243 797
Accrued leave pay	7 894 272	7 045 543
Deposits received	72 563	671 025
	78 031 251	88 937 055

The accrual for leave pay relates to vested leave pay to which employees may become entitled to upon leaving the employment of the municipality. The accrual arises as employees render a service that increases their entitlement to future compensated leave. It is utilised when employees who are entitled to leave pay, leave the employ of the municipality or when the accrued leave due to an employee is utilised.

14. External loans

At amortised cost

External loans	160 799 038	174 715 911
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The loans are repayable in semi-annual installments. Interest is charged at rates varying between 6.75% and 15.26%

Non-current liabilities

At amortised cost	145 684 791	166 037 087
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Current liabilities

At amortised cost	15 114 247	8 678 824
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Loan Number	Redeemable	Balance at 30 June 2014	Received during the period	Redeemed written off during the period	Balance at 30 June 2015
Standard Bank - 1	20 000 000	18 949 031	-	1 444 654	17 504 377
Standard Bank - 2	34 000 000	30 645 851	-	2 336 407	28 309 444
Standard Bank - 3	26 000 000	24 210 221	-	1 845 761	22 364 460
DBSA 61002496	920 255	121 027	-	121 027	-
DBSA 61000374	10 390 100	5 813 826	-	768 260	5 045 566
DBSA 61000317	17 840 900	7 107 324	-	2 163 399	4 943 925
DBSA 61000801	13 100 000	9 995 659	-	709 142	9 286 517
DBSA 61000802	38 150 000	29 076 367	-	2 062 824	27 013 543
DBSA 61000803	4 950 000	3 806 055	-	270 021	3 536 034
DBSA 61000804	13 800 000	10 522 899	-	746 547	9 776 351
DBSA 61000961	15 700 000	13 288 498	-	630 472	12 658 026
DBSA 61000962	12 650 000	11 608 989	-	288 672	11 320 317
DBSA 61000963	1 500 000	1 431 915	-	10 366	1 421 549
DBSA 61000964	8 800 000	6 958 048	-	474 219	6 483 829
DBSA 61000965	1 350 000	1 180 201	-	45 101	1 135 100
	219 151 255	174 715 911	-	13 916 872	160 799 038

15. Consumer deposits

Consumer deposits - Electricity and water	11 646 616	10 273 776
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16. Finance lease obligation		
Minimum lease payments due		
- within one year	6 862 623	5 719 282
- in second to fifth year inclusive	10 697 934	11 628 350
	17 560 557	17 347 632
less: future finance charges	(2 399 137)	(2 423 824)
Present value of minimum lease payments	15 161 420	14 923 808
 Non-current liabilities	 9 410 683	 10 859 806
Current liabilities	5 750 737	4 064 002
	15 161 420	14 923 808

It is municipality policy to lease certain motor vehicles and equipment under finance leases.

The lease terms are between 3-5 years and the effective borrowing rates are between 7.75%-10.50% (2014: 7%-10.70%).

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

Lease number	Redeemable	Balance at 30 June 2014	Received during the period	Redeemed written off during the period	Balance at 30 June 2015
81086562	3 358 552	1 513 191	-	723 743	789 448
81265513	641 448	299 218	-	136 877	162 341
FLP021-0001H	2 676 851	1 154 652	-	602 941	551 711
FLP021-0006S	2 029 285	912 752	-	453 407	459 345
FLP021/0003B	1 634 308	822 053	-	356 386	465 667
WB004-0001B	208 816	136 043	-	62 960	73 083
WB005-0002A	140 899	93 539	-	47 076	46 463
WB006-0003T	208 816	140 740	-	71 880	68 860
WB007-0004S	204 923	138 628	-	71 052	67 576
WB008-0005L	204 923	136 043	-	68 467	67 576
WB009-0006K	226 860	150 388	-	75 664	74 724
WB010-0007J	158 852	109 802	-	52 784	57 018
SB19977492-0001	1 074 031	720 710	-	211 515	509 195
SB19977492-0002	486 027	326 144	-	95 716	230 428
SB19977492-0003	402 938	270 434	-	79 399	191 035
SB19977492-0004	554 705	485 352	-	98 689	386 663
SB19977492-0005	476 716	417 113	-	84 813	332 300
SB19977492-0006	399 931	349 512	-	71 069	278 443
SB19977492-0007	2 134 741	1 903 859	-	376 249	1 527 610
SB19977492-0008	5 000 754	487 111	-	84 081	403 030
SB19977492-0009	1 228 213	1 194 754	-	205 247	989 507
SB19977492-0010	1 093 820	1 062 441	-	182 517	879 924
SB19977492-0011	279 300	271 220	-	46 593	224 627
SB19977492-0012	986 100	975 123	-	163 993	811 130
SB19977492-0013	373 534	367 644	-	62 134	305 510
SB19977492-0014	485 342	485 342	-	81 887	403 455
SB19977492-0015	-	-	899 126	110 266	788 860
SB19977492-0016	-	-	899 126	110 266	788 860
SB19977492-0017	-	-	242 914	25 965	216 948
SB19977492-0018	-	-	173 406	18 535	154 871
SB19977492-0019	-	-	173 406	18 535	154 871
SB19977492-0020	-	-	522 599	50 001	472 598
SB19977492-0021	-	-	522 599	50 001	472 598
SB19977492-0022	-	-	522 599	50 001	472 598
SB19977492-0023	-	-	395 869	38 128	357 741
SB19977492-0024	-	-	174 922	7 082	167 840
SB19977492-0025	-	-	174 922	7 082	167 840
SB19977492-0026	-	-	292 712	6 507	286 205
SB19977492-0027	-	-	309 807	6 887	302 921
	26 670 685	14 923 808	5 304 007	5 066 395	15 161 420

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17. Long-term liability

ESKOM - Payments	2015	2014
Opening balance	13 356 269	17 842 087
Payments made	(5 701 708)	(4 485 818)
	7 654 561	13 356 269

ESKOM	Outstanding balance - 2015	Outstanding balance - 2014
Long term portion	2 251 341	8 003 643
Short term portion	5 403 220	5 352 626
	7 654 561	13 356 269

During an audit conducted by the Energy Loss Programme staff of Eskom it was found that Midvaal Municipality was not billed for one day on 1 August 2009 that lead to an under recovery of R 137 923.09. An amount of R 630 102.21 was under recovered due to metering changes that have not been excepted by the Eskom system for 36 days, Eskom utilised Midvaal Municipality's current transformers for ther period 1 March 2010 to 30 September 2010 to retrieve data for Eskom billing purposes. An amount of R 11 847 855 was under recovered based on the Energy Loss Programme audit findings for the period March to September 2010. An amount of R 5 226 207 was under recovered due to phases that were swopped on the metering installation and phasing problems were experienced on meter panels 1 and 4 for the period May 2011 to July 2011. Council agreed to enter into an agreement with Eskom to pay off the principal debt of R 17 842 087.30 over a period of 36 months.

18. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Movements	Total
Landfill rehabilitation	30 167 869	(5 377 072)	24 790 797
Long service awards	7 361 000	530 632	7 891 632
	37 528 869	(4 846 440)	32 682 429

Reconciliation of provisions - 2014

	Opening Balance	Movements	Total
Landfill rehabilitation	36 085 724	(5 917 855)	30 167 869
Long service awards	5 241 000	2 120 000	7 361 000
	41 326 724	(3 797 855)	37 528 869

Non-current liabilities	32 218 250	37 102 722
Current liabilities	464 179	426 147
	32 682 429	37 528 869

Environmental rehabilitation provision - Landfill

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability. The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

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18. Provisions (continued)

(a) The Municipality has a detailed formal plan for the restructuring identifying at least:

- The business or part of a business concerned;
- The principal locations affected;
- The location, function and approximate number of employees who will be compensated for terminating their services;
- The expenditures that will be undertaken; and
- When the plan will be implemented.

(b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Department Agriculture and Rural Development Grant	148 590	-
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Movement during the year

Additions during the year	49 412 533	53 708 430
Income recognition during the year	(49 263 943)	(53 708 430)
	148 590	-

20. Government grants and subsidies

Operating grants

Equitable Share	56 032 723	50 957 000
Energy Efficiency Demand Side Management Grant	-	8 999 700
Specific Contribution towards Councillors (Equitable Share)	4 683 277	3 716 000
Provincial Health Subsidies	4 544 838	4 417 389
Department Sport, Arts, Culture and Recreation Grant	3 180 000	2 500 000
Environmental Subsidy Grant	2 408 008	2 426 316
Financial Management Grant	1 350 000	1 242 000
Expanded Public Works Programme Grant	1 135 000	1 000 000
Municipal Systems Improvement Grant	934 000	890 000
Municipal Infrastructure Grant	1 150 000	1 100 000
	75 417 846	77 248 405

Capital grants

Municipal Infrastructure Grant	28 686 000	27 158 000
Financial Management Grant	100 000	58 000
Department Sport, Arts, Culture and Recreation Grant	900 000	100 000
Department Agriculture and Rural Development Grant	341 410	-
	30 027 410	27 316 000
	105 445 256	104 564 405

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy, which is funded from the grant.

Equitable Share

Current-year receipts	60 716 000	54 673 000
Conditions met - transferred to revenue	(60 716 000)	(54 673 000)
	-	-

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20. Government grants and subsidies (continued)		
Financial Management Grant		
Current-year receipts	1 450 000	2 821 700
Conditions met - transferred to revenue	(1 450 000)	(2 821 700)
	-	-
Municipal Systems Improvement Grant		
Current-year receipts	934 000	890 000
Conditions met - transferred to revenue	(934 000)	(890 000)
	-	-
Municipal Infrastructure Grant		
Current-year receipts	29 836 000	27 158 000
Conditions met - transferred to revenue	(29 836 000)	(27 158 000)
	-	-
Department Sport, Arts, Culture and Recreation Grant		
Current-year receipts	4 080 000	2 600 000
Conditions met - transferred to revenue	(4 080 000)	(2 600 000)
	-	-
Expanded Public Works Programme Grant		
Current-year receipts	1 135 000	1 000 000
Conditions met - transferred to revenue	(1 135 000)	(1 000 000)
	-	-
Provincial Health Subsidy		
Current-year receipts	4 544 838	3 551 812
Conditions met - transferred to revenue	(4 544 838)	(3 551 812)
	-	-
Environmental Subsidy Grant		
Current-year receipts	2 408 008	1 973 235
Conditions met - transferred to revenue	(2 408 008)	(1 973 235)
	-	-

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20. Government grants and subsidies (continued)

Department Agriculture and Rural Development Grant

Current-year receipts	490 000	-
Conditions met - transferred to revenue	(341 410)	-
	148 590	-

Energy Efficiency Demand Management Side Grant

Current-year receipts	-	8 999 700
Conditions met - transferred to revenue	-	(8 999 700)
	-	-

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

21. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

Midvaal Municipality operates on 5 accredited medical aid schemes, namely Hosmed, Key Health, SAMWU Med, Bonitas and LA Health.

Midvaal provides post-retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the medical aid funds, with which the municipality is associated, a member (subject to the applicable conditions of service) on retirement, is entitled to remain a continued member of such medical fund, in which case the member is liable for the portion as determined by Council from time to time, of the medical aid membership fee, and the municipality for the remaining portion.

Management has revised its policy with regard to staff who qualify for post-retirement benefits. On 19 September 2015 the Midvaal Municipality resolved not to make post retirement medical benefits available to those who do not qualify as per SALGA's policy decision on post retirement medical and subsidies adopted by SALGA Exco on 8 July 2004.

Pension benefits

Council and employees contribute towards the under-mentioned Pension Funds whose operations are subject to the Pension Fund Act, 1956.

The municipality does not apply "defined benefit accounting" to defined benefit funds of which it is a member where these funds are classified in terms of GRAP 25 as multi-employer plans, as sufficient information is not available to apply the principles involved. Information necessary to apply "defined benefit accounting" was requested from the various funds, but information received from these funds was insufficient and in some instances no information could be obtained from these funds. This issue will be addressed in the future to ensure that these benefit plans could be accounted for as "defined benefit accounting". As a result, GRAP 25 is applied and such funds are accounted for as defined contribution funds.

The Council subscribes to the following pension funds:

- Municipal Gratuity Fund
- Joint Municipal Employees Pension Fund
- Germiston Municipal Retirement Fund
- Old Mutual Sala Pension Fund
- National Fund For Municipal Workers
- SAMWU National Provident Fund
- Councillors Pension Fund

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21. Employee benefit obligations (continued)

Germiston Municipal Retirement Fund (GMRF) is a defined contribution fund for active contributing members but a defined benefit fund for certain pensioners under old rules taken up in the rules of the fund. During 2005 GMRF outsourced the full administration of the pensioners component which relates to old rules of a defined benefit fund. To the extent that a surplus or deficit is in place, based on available information, this may affect the amount of the future contributions once these are assessed. In the case of surpluses, no change is made in the rate contributions. In the case of deficits, the municipality will increase contributions on a phase in basis.

Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at the year end. Refer to Provisions note for leave pay provision.

The amounts recognised in the statement of financial position are as follows:

Present value of the defined benefit obligation-wholly unfunded	(5 781 398)	(4 528 000)
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Changes in the present value of the defined benefit obligation are as follows:

Opening balance	(4 528 000)	(36 414 000)
Benefits paid	299 876	180 000
Net income/(expense) recognised in the statement of financial performance	(1 553 274)	31 706 000
	(5 781 398)	(4 528 000)

Net expense recognised in the statement of financial performance

Current service cost	(71 000)	(3 045 000)
Interest cost	(401 000)	(2 780 000)
Actuarial (gains) losses	(1 081 274)	37 531 000
	(1 553 274)	31 706 000

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8,43 %	9,00 %
Consumer price inflation	6,10 %	7,10 %
Medical aid inflation	7,60 %	8,10 %
Net effective discount rate	0,65 %	- %

The Municipality appointed a new actuary to value the employment benefit obligations.

22. Service charges

Sale of electricity	243 240 601	235 073 921
Sale of water	140 230 418	133 849 287
Sewerage and sanitation charges	30 978 113	27 251 888
Refuse removal	27 669 413	25 362 757
	442 118 545	421 537 853

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23. Property rates		
Rates received		
Residential	89 437 804	123 457 711
Commercial	89 767 826	33 986 411
State	5 036 480	3 456 451
Other	663 777	885 646
Agricultural	12 172 801	5 339 039
Less: Income forgone	(62 298 332)	(60 967 893)
	134 780 356	106 157 365

Valuations - Figures are displayed in R'000

Residential	119 578 207	114 991 640
Agricultural	78 727 410	68 474 436
Commercial	28 095 109	28 137 190
Other	15 713 582	3 570 610
Municipal	865 210	2 968 331
State	363 855	2 921 830
	243 343 373	221 064 037

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2011.

The MEC gave approval for extension of the valuation roll until 30 June 2016.

Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R 0.0133320- (2014: R0.0122) is applied to property valuations to determine assessment rates. Rebates are granted to residential and state property owners amounting to R62 298 332 (2014: R60 967 893)

Rates are levied on a monthly basis and interest is levied after due date.

24. Other income

New connection fees	6 075 863	2 725 296
Rehabilitation fees (Landfill site)	5 620 749	2 910 777
Reconnection fees	5 733 871	4 936 591
Building Plans	1 733 412	1 485 716
Sundry Income	918 000	3 690 371
Service charges	829 040	785 304
Planning fees and permits	804 305	380 153
Cemetery Income	613 078	498 601
Clearance/Valuation Certificates	289 477	109 816
SETA refunds	268 675	400 678
Cleaning of Stands	223 315	61 161
Advertising	161 525	420 762
Final Readings	132 615	120 367
Telephone Income	132 386	157 185
Entrance fees	121 093	94 021
Vacuum tank services	93 987	1 315 891
Access to information /copies / faxes	65 246	50 129
Traffic Escourts	52 408	38 740
Impounding of Vehicles	38 808	5 042
Building plan copies	14 219	42 539
Surplus Cash	10 172	6 651
Lost and damaged Library material	5 640	2 945
Meter test fees	2 550	5 250
Dishonoured Cheques	1 839	2 875
Membership fees	763	2 312
Lost tokens	526	316
	23 943 562	20 249 489

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25. Investment revenue		
Interest received - Investments		
Bank	6 011 672	4 850 916
26. Bulk purchases		
Electricity	159 962 095	146 912 500
Water	56 745 829	51 317 383
	216 707 924	198 229 883
27. Employee related costs		
Total employee cost		
Remunerations - Employees	160 498 733	115 691 241
Remunerations - Executive Managers	12 099 212	10 306 468
	172 597 945	125 997 709
Basic salaries	102 757 284	60 159 205
Pension costs	19 785 960	19 694 882
Medical aid - company contributions	8 610 259	8 329 304
Leave bonus	7 584 777	6 971 281
Overtime payments	7 282 310	7 098 477
Travel, motor car, accommodation, subsistence and other allowances	6 625 233	5 806 106
Standby allowance	2 589 293	2 348 641
Skills development levy	1 228 571	1 123 713
Cell phone allowances	1 319 796	1 092 983
UIF	867 984	885 004
Redemption of leave	826 063	1 169 695
Housing benefits and allowances	766 921	743 477
Group insurance	204 845	222 604
Other payroll levies	49 437	45 869
	160 498 733	115 691 241
Remuneration of Municipal Manager - A.S.A De Klerk		
Annual Remuneration	1 214 658	1 128 362
Car Allowance	168 000	168 000
Contributions to UIF, Medical and Pension Funds	183 120	172 174
Other	35 821	52 246
	1 601 599	1 520 782
Remuneration of Chief Financial Officer - A.L. Van Schalkwyk		
Annual Remuneration	944 390	874 031
Car Allowance	144 000	144 000
Contributions to UIF, Medical and Pension Funds	205 065	193 185
Other	26 680	33 572
	1 320 135	1 244 788
Remuneration of the ED Community Services - S.M. Mosidi		
Annual Remuneration	872 408	811 720
Car Allowance	216 000	216 168
Contributions to UIF, Medical and Pension Funds	205 046	183 496
Other	24 000	24 000
	1 317 454	1 235 384

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27. Employee related costs (continued)

Remuneration of the ED Engineering Services - S. Coetzee

Annual Remuneration	937 670	865 575
Car Allowance	156 000	157 466
Contributions to UIF, Medical and Pension Funds	199 785	187 905
Other	28 141	24 000
	1 321 596	1 234 946

Remuneration of the Deputy Municipal Manager - T.W. Peters

Annual Remuneration	1 399 566	1 276 935
Car Allowance	60 000	60 834
Contributions to UIF, Medical and Pension Funds	1 785	1 784
Other	25 340	24 150
	1 486 691	1 363 703

The position of Deputy Municipal Manager was previously held as ED Corporate Services. This position of Deputy Municipal Manager was effected from March 2015, which includes the Human Resources function as from that date.

Remuneration of the ED Human Resources - B. Motsukunyane

Annual Remuneration	551 178	974 212
Car Allowance	30 000	60 000
Contributions to UIF, Medical and Pension Funds	97 014	177 004
Other	12 581	24 000
Severance package	1 724 714	-
	2 415 487	1 235 216

Remuneration as reflected is for the period July 2014 to January 2015.

Remuneration of the ED Protection Services - E. Lensley

Annual Remuneration	1 048 425	977 514
Car Allowance	30 000	30 000
Contributions to UIF, Medical and Pension Funds	215 030	203 701
Other	24 000	24 150
	1 317 455	1 235 365

Remuneration of the ED Development Planning and Housing - H. Human

Annual Remuneration	1 006 070	924 191
Car Allowance	180 000	145 068
Contributions to UIF, Medical and Pension Funds	107 385	143 025
Other	25 340	24 000
	1 318 795	1 236 284

Detail Remunerations of Councillors

Councillors	9 045 852	8 740 935
	9 045 852	8 740 935

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27. Remuneration of councillors (continued)

Remuneration of the Mayor:

	2015	2014
Allowance	538 871	508 370
Travel	179 624	169 457
Telephone	20 868	20 868
Subtotal	739 363	698 695

Remuneration of the MMC's:

	2015	2014
Allowance	2 020 770	1 906 388
Travel	673 590	635 463
Telephone	104 340	104 340
Subtotal	2 798 700	2 646 191

Remuneration of the Speaker:

	2015	2014
Allowance	431 097	406 696
Travel	143 699	135 565
Telephone	20 868	20 868
Subtotal	595 664	563 129

Remuneration of Section 79 Committee Members:

	2015	2014
Allowance	414 930	391 445
Travel	138 310	130 482
Telephone	41 736	41 736
Subtotal	594 976	563 663

Remuneration of Councillors

	2015	2014
Allowance	2 901 298	2 745 198
Travel	969 965	915 066
Telephone	445 885	375 624
Other	-	233 372
Subtotal	4 317 148	4 269 260

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27. Remuneration of councillors (continued)

In-kind benefits

2015

The Executive Mayor, Speaker and Mayoral Committee Members are full-time.

Each is provided with an office and secretarial support at the cost of the Council.

The Mayor and the Speaker each have the use of separate Council owned vehicles for official duties.

The Mayor has three full-time bodyguards .

2014

The Executive Mayor, Speaker and Mayoral Committee Members are full-time.

Each is provided with an office and secretarial support at the cost of the Council.

The Mayor and the Speaker each have the use of separate Council owned vehicles for official duties.

The Mayor has three full-time bodyguards .

28. Depreciation and amortisation

Property, plant and equipment	112 943 498	115 484 153
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29. Debt impairment

Debt impairment - Traffic fines	35 000 000	34 108 209
Contributions to debt impairment provision	35 543 356	23 500 868
	70 543 356	57 609 077

30. Contracted services

Specialist Services	50 679 613	49 172 325
Other Contractors	3 426 347	6 842 755
	54 105 960	56 015 080

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31. General expenses		
Rental	7 551 329	7 575 589
Fleet	5 884 180	5 081 063
Consulting and professional fees	4 360 503	2 283 195
Insurance	3 131 187	1 721 049
Other expenses	2 836 126	2 111 632
Auditors remuneration	2 470 539	2 140 825
Consumables	2 404 395	3 471 589
Subscriptions and membership fees	1 865 479	2 834 730
Community development and training	1 709 779	1 487 865
Protective clothing	1 616 010	1 401 234
Telephone and fax	1 360 382	993 353
Delivery expenses	1 348 560	1 704 399
Bank charges	1 287 791	1 276 757
Advertising	1 249 524	1 136 679
Travel - local	1 061 864	1 074 725
Printing and stationery	913 710	2 747 644
Training	883 582	853 780
Secretarial fees	561 582	334 689
Non-capital Assets expensed	547 269	700 087
Postage and courier	546 115	892 079
Entertainment	539 224	469 640
Computer expenses	315 875	198 840
Medical expenses	302 854	380 915
Motor vehicle expenses	297 306	200 575
VAT adjustment - IGRAP 1	287 687	-
Valuation Roll	258 117	233 509
Magazines, books and periodicals	182 026	239 365
Donations	166 045	227 746
Bursaries and student practical work	81 383	-
Long service recognition awards	51 626	99 327
Transport and freight	11 814	30 502
Marketing	3 343	-
Services to informal settlements	-	1 772 636
Packaging	-	496
	46 087 206	45 676 514
32. Water Non Revenue		
Water non revenue - Technical	1 784 289	1 632 198
Water non revenue - Non Technical	23 878 283	23 145 718
	25 662 572	24 777 916
33. Electrical distribution losses		
Electrical distribution losses - Technical	3 716 685	3 409 052
Electrical distribution losses - Non Technical	17 700 938	17 592 524
	21 417 623	21 001 576
34. Finance costs		
Non-current borrowings	18 467 258	16 038 571
Current creditors	5 227	-
Unwinding of discount - landfill site provision	426 147	683 757
	18 898 632	16 722 328

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35. Revenue

Service charges	442 118 545	421 537 853
Property rates	134 780 356	106 157 365
Government grants & subsidies	105 445 256	104 564 405
Fines, Penalties and Forfeits	46 888 299	48 726 013
Other income	23 943 562	20 249 489
Interest received - consumer debtors	10 186 285	6 048 615
Interest received - investment	6 011 672	4 850 916
Public contributions and donations	6 557 519	60 114
Developers contribution	2 190 612	2 663 992
Rental of facilities & equipment	1 532 323	1 142 264
Gain on disposal of Assets	5 100	456 342
	779 659 529	716 457 368

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	442 118 545	421 537 853
Other income	23 943 562	20 249 489
Interest received - consumer debtors	10 186 285	6 048 615
Interest received - investment	6 011 672	4 850 916
Rental of facilities & equipment	1 532 323	1 142 264
Gain on disposal of assets	5 100	456 342
	483 797 487	454 285 479

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue

Property rates	134 780 356	106 157 365
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Transfer revenue

Government grants & subsidies	105 445 256	104 564 405
Fines, Penalties and Forfeits	46 888 299	48 726 013
Public contributions and donations	6 557 519	60 114
Developers contributions	2 190 612	2 663 992
	295 862 042	262 171 889

36. Financial instruments disclosure

Categories of financial instruments

2015

Financial assets

	At amortised cost	Total
Consumer debtors	107 061 946	107 061 946
Cash and cash equivalents	75 520 206	75 520 206
Other receivables	9 952 365	9 952 365
	192 534 517	192 534 517

Financial liabilities

	At amortised cost	Total
External loans	160 799 038	160 799 038
Payables from exchange transactions	83 434 479	83 434 479
Finance lease obligation	15 161 420	15 161 420
Consumer Deposits	11 646 616	11 646 616
	271 041 553	271 041 553

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36. Financial instruments disclosure (continued)

2014

Financial assets

	At amortised cost	Total
Consumer debtors	102 770 779	102 770 779
Cash and cash equivalents	91 470 824	91 470 824
Other receivables	5 631 367	5 631 367
	199 872 970	199 872 970

Financial liabilities

	At amortised cost	Total
External loans	174 715 911	174 715 911
Payables from exchange transactions	94 289 681	94 289 681
Finance lease obligation	14 923 808	14 923 808
Consumer deposits	10 273 776	10 273 776
	294 203 176	294 203 176

Financial instruments in Statement of financial performance

2015

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	16 197 957	16 197 957
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(18 898 632)	(18 898 632)
Debt impairment loss	(70 543 356)	(70 543 356)
	(73 244 031)	(73 244 031)

2014

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	10 899 531	10 899 531
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(16 722 328)	(16 722 328)
Debt impairment loss	(57 609 077)	(57 609 077)
	(63 431 874)	(63 431 874)

37. Auditors' remuneration

Fees	2 470 539	2 140 825
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38. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
- Property, plant and equipment	2 803 840	8 254 383
Not yet contracted for and authorised by Council		
- Property, plant and equipment	91 790 000	82 391 545
Total capital commitments		
Already contracted for but not provided for	2 803 840	8 254 383
Not yet contracted for and authorised by Council	91 790 000	82 391 545
	94 593 840	90 645 928

This committed expenditure relates to property, plant and equipment and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, Provincial and National grant funding and developer contributions.

The municipality approved the implementation of the 2015/16 carry over adjustment budget as allowed by section 28 of the Municipal Finance Management Act as well as section 23 of the Municipal Budget and Reporting regulations (projects from the 2014/2015 financial year to be carried over to the 2015/2016 financial year) during July 2016.

Section 28(2)(e) of the MFMA states the following:

"An adjustments budget may authorize the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by the council".

Section 23(5) of the Regulations as published in volume 526 of the Government Gazette No 32141 dated 17 April 2009, states the following:

"An adjustment budget referred to in section 28(2)(e) of the Act may only be tabled after the end of the financial year to which the roll-overs relate, and must be approved by the municipal council by 25 August of the financial year following the financial year to which the roll-overs relate."

39. Contingencies

On 20 May 2011 the State President issued a proclamation establishing the SIU to investigate certain allegations in respect of Midvaal Local Municipality. The report on the outcome of the investigation has not yet been issued. However, in the mean time the SIU has issued accounts to be paid for the work it is set to have done. Council resolved under item C 1137/06/2014 that National or Provincial Treasury be approached for the exemption of the payment of the fees in terms of Section 5(1a) of the Special Investigation Units and Special Tribunals Act (74 of 1996) - R 869 876.25.

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39. Contingencies (continued)

Contingent liabilities arising from third party claims and litigation

Name	Case no		2015	2014
Mrs Kok	0213-11813	Motor accident	-	31 310
Mrs Van Kraayenburg	0111-11924	Pothole - General Hertzog	-	36 619
Mr Delpoit	0813-12014	Accident manhole	200 000	200 000
Mrs Jordaan	0813-12114	House built on wrong property	2 000 000	2 000 000
Mrs du Toit	12238	Stolen electrical cable	4 500 000	4 500 000
Mr G Visagie	0313-11864	Construction related	5 000 000	5 000 000
Mr N G Damane		Stolen electrical cable	8 620	8 620
Mrs Q van Wyk	0114-12239	Stolen electrical cable	10 000	10 000
Meyerton Golf Club	513-51479002	Signs removed	225 000	-
Mr Nel	315-51485117	Hit pothole	12 882	-
Mrs C Enslin		Tree fell on vehicle	-	160 000
ESKOM	18234/2011	Supply area dispute	-	-
Telkom SA Ltd	21445/2011	Damages claim	187 785	187 785
Hodtra Investments Pty Ltd	06/17843	Land dispute	-	-
M A Ramaoke	38281/2010	Claim for damages	643 389	643 389
John West	24744/2010	Claim against Council	-	130 000
R R Mashego	175/2015	Rescission of judgement - erf 26 Witkop	70 000	-
			12 857 676	12 907 723

40. Related parties

Relationships

Close family member of key management

Management remuneration - Refer to employee Related Costs and Remuneration of Councillors notes

Joint venture of key management

None

Associate of close family member of key management

As per schedule

Members of key management

Refer to note on employee related cost for information

Company	Associate of close family member of staff	Contract value	
		2015	2014
Voster Doenighede	E Pienaar	-	300
Se Gosedi Electrical and Projects PTY Ltd	P Malherbe	-	3 942
Training Force	MI Vosloo	10 830	-
Subtotal	-	10 830	4 242
		10 830	4 242

Company	Previously employed by Organ of State	Contract value	
		2015	2014
Paul Ernst	Paul Ernst	-	484 559
Subtotal	-	-	484 559

Paul Ernst was employed by an Organ of State until 2013.

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40. Related parties (continued)

Company	Associate members of in the service of State	Contract value	
		2015	2014
Price Waterhouse Cooper - Combined Systems	LS Machaba, TSB Jali & F Khan	371 854	-
Price Waterhouse Cooper	LS Machaba, TSB Jali & F Khan	1 744	-
Subtotal	-	373 598	-
		373 598	-

41. Prior period errors

2015

Note 20 - Government Grants have been amended to correctly classify the grants between operating and capital grants.

Operating Grants were R 76 148 405 and were changed to R 77 248 405.

Capital Grants were R 28 416 000 and were changed to R 27 316 000.

Note 36 - Financial Instrument disclosure has been amended to state the correct figure for debt impairment and for Interest expense.

Impairment loss was R 23 500 838 and was changed to R 57 609 077. This was due to the inclusion of Traffic fine debt impairment.

Interest expense was R 16 119 860 and was changed to R 16 722 328.

Note 39 - The case of Mr. Visagie is an ongoing case since 2013 and has been amended to state the correct figure was disclosed as R 0 whilst it should have been R 5 000 000.

Note 49 - Utilisation of Long-term liabilities reconciliation has been amended to correctly classify the figures, however the unspent long term liabilities remained R 37 754 162.

Vat payable on consumer debtors has been amended to exclude Vat on consumer debtors.

Services rendered to informal settlements to the value of R 1 772 636 were incorrectly recognised as revenue and expenditure instead of revenue forgone. The Statement of Financial Performance has not been restated as the restatement would have no impact on the closing accumulated surplus.

The gain and loss on the disposal of assets were netted off and shown below the line in the Statement of Financial Performance in 2014 and shown separately in the Statement of Financial Performance in 2015. In this set of financial statements the gain and loss on the disposal of assets for 2014 are also shown separately. This has no impact on the closing accumulated surplus.

2014

During an audit conducted by the Energy Loss Programme staff of Eskom it was found that Midvaal Municipality was not billed for one day on 1 August 2009 that lead to an under recovery of R 137 923.09. An amount of R 630 102.21 was under recovered due to metering changes that have not been accepted by the Eskom system for 36 days. Eskom utilised Midvaal Municipality's current transformers for the period 1 March 2010 to 30 September 2010 to retrieve data for Eskom billing purposes. An amount of R 11 847 855 was under recovered based on the Energy Loss Programme audit findings for the period March to September 2010. An amount of R 5 226 207 was under recovered due to phases that were swopped on the metering installation and phasing problems were experienced on meter panel 1 and 4 for the period May 2011 to July 2011. Council agreed to enter into an agreement with Eskom to pay off the principal debt of **R 17 842 087.30** over a period of 36 months.

VAT was incorrectly included in the pre-paid electricity revenue received in advance and was corrected in the current year.

PPE adjustments were made for the year. This was mainly as a result of the reclassification of investment properties as well as assets found that were not previously accounted for.

Other receivables from exchange transactions were disclosed within other receivables from non-exchange transactions in the past, but was corrected in the current year.

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41. Prior period errors (continued)

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Property, plant and equipment	19 596 001	12 851 150
Intangible assets	(833 879)	1 229 295
Heritage assets	-	18 271
Other receivables from non-exchange transactions	-	(4 432 511)
Other receivables from exchange transactions	-	4 432 511
Investment property	(447 000)	(5 377 000)
Trade and other payables from exchange transactions	-	547 236
Consumer debtors	(12 155 928)	-
Long-term liability	-	(17 842 087)
VAT payable	(12 155 928)	-
Opening Accumulated Surplus or Deficit	19 149 002	8 573 702
Gain on disposal of assets,	456 342	-
Loss on disposal of assets	456 342	-

Statement of Financial Performance

Service charges	-	(567)
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42. Comparative figures

Certain comparative figures have been reclassified where it was deemed necessary for a better understanding of the annual financial statements and where better presentation would be ultimately obtained.

Note 8 - Other receivables from exchange transactions have been reclassified because better presentation would be ultimately obtained.

Note 17 - Short term portion of Long term liabilities has been unbundled from Trade and other payables from exchange transactions for better disclosure.

Trade and other payables from exchange transactions were R 94 289 681 and were changes to R 88 937 055.

Note 23 - The property valuations have previously been disclosed in rand millions and in 2015 as rand thousands for better disclosure.

Implementation of National Treasury guidance on the disclosure of the cost of free basic services and distribution losses on water and electricity as per MFMA Circular 70, resulted in reclassification between various line items.

The effects of the reclassification are as follows:

Statement of Financial Performance

Bulk purchases	(52 001 160)	-
Cost of free basic	622 668	-
Water non-revenue	24 777 916	-
Electricity distribution losses	21 001 576	-

43. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Interest rate risk

As the municipality has no significant income from interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates. Loans are taken at fixed interest rates to minimise interest rate risk.

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43. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the municipality.

44. Going concern

We draw attention to the fact that at 30 June 2015, the municipality had a positive accumulated surplus and that the municipality's total assets exceed its liabilities.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern.

This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors.

One of these factors that could impact the going concern basis is the decision by the Municipal Demarcation Board (MDB) to re-determine the municipal boundaries of the affected authorities by excluding Emfuleni and Midvaal from the Sedibeng District and by amalgamating them into a single metropolitan municipality, as well as by excluding Lesedi from Sedibeng and including it in Ekurhuleni, as published under notice 2109 of 8 August 2013 in Provincial Gazette 229 and confirmed in notice 2914 in Provincial Gazette Extraordinary 303 of 17 October 2013, as well as the resultant MEC's notice 972 in Provincial Gazette Extraordinary 82 of 31 March 2014, which are sought to be revoked and set aside by a Court of Law.

The case is the Midvaal Local Municipality and another v/s the Municipal Demarcation Board and 8 others, GNP case number 28388/2014.

The High Court has indicated that the matter will be heard on 22 and 23 September 2015.

45. Events after the reporting date

None

46. Unauthorised expenditure

Unauthorised expenditure for the year	53 044	-
Unauthorised expenditure - written off by the council	(41 226)	48 736
Unauthorised expenditure - recovered	(11 818)	(48 736)
	-	-

The amount of R11 818.04 that was recorded as unauthorised expenditure in the 2014/2015 financial year, has been paid back in full.

The amount of R48 736 that was recorded as unauthorised expenditure in the 2012/2013 financial year, has been written off as irrecoverable debt as per Council resolution MC A/2920/05/2014.

47. In-kind donations and assistance

2015

The Municipality received the following in-kind donations and assistance:

National Treasury has provided support to the Municipality under the MFIPII programme by deploying an advisor to the Municipality from 12 January 2015.

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47. In-kind donations and assistance (continued)

2014

The Municipality received the following in-kind donations and assistance:

Gauteng Provincial Treasury has provided assistance in the preparation of the 2012/2013 Annual financial statements, by deploying officials to the municipality.

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	-	1 388 603
Current year subscription / fee	1 875 565	1 437 744
Amount paid - current year	(1 875 565)	(2 826 347)
	-	-

Audit fees

Amount paid - current year	2 470 539	2 140 825
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PAYE and UIF

Amount paid - current year	23 440 633	20 576 913
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Pension and Medical Aid Deductions

Amount paid - current year - Pension	29 989 844	28 145 455
Amount paid - current year - Medical	15 230 085	14 371 026
	45 219 929	42 516 481

VAT

VAT receivable	6 779 730	8 822 049
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All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

2015

There were no arrear accounts outstanding for more than 90 days for Councillors at 30 June 2015.

2014

There were no arrear accounts outstanding for more than 90 days for Councillors at 30 June 2014.

49. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	175 960 458	189 639 719
Used to finance property, plant and equipment	(152 646 557)	(151 885 557)
	23 313 901	37 754 162

Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

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50. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the Council and includes a note to the financial statements.

The majority of items mentioned had to be addressed in short notice and the response times did not allow for the complete procurement process to be followed. The balance of items were due to emergency circumstances or uneconomic benefits for the municipality.

Class	2015	2014
Emergency	3 986 523	4 400 477
Sole suppliers	11 439 086	3 821 599
Impractical or impossible to follow the process	7 703 815	4 687 044
Total	23 129 424	12 909 120

51. Budget differences

Material differences between budget and actual amounts

The total expenditure for the year was less than the approved expenditure budget.

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters.

52. Unaccounted water and electricity

Electricity - Technical and non-technical losses	Units	Amounts	Percentage
Technical loss	4 811 865	3 716 685	2,00 %
Non technical loss	22 916 801	17 700 938	9,53 %
	27 728 666	21 417 623	11,53 %

Electricity				
Year	Units purchased	Units sold	Loss in distribution	Percentage
2014/2015				
Units	240 593 270	212 864 604	27 728 666	11,53 %
Amount	185 834 243	164 416 620	21 417 623	
2013/2014				
Units	241 639 650	211 867 072	29 772 578	12,32 %
Amount	170 380 117	149 387 472	21 001 576	

The unit sold amount is calculated according to the unit purchased amount.

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52. Unaccounted water and electricity (continued)

Water - Technical and non-technical losses	Units	Amounts	Percentage
Technical losses	300 750	1 784 288	2,00 %
Non technical losses	4 024 793	23 878 283	26,77 %
	4 325 543	25 662 571	28,77%

Water				
Year	Units purchased	Units sold	Loss in distribution	Percentage
2014/2015				
Units	15 037 482	10 711 939	4 325 543	28,77 %
Amount	89 214 340	63 551 769	25 662 571	
2013/2014				
Units	14 946 866	10 408 786	4 538 080	30,36 %
Amount	81 602 415	56 826 767	24 777 648	

53. Cash generated from operations

(Deficit) surplus	(21 689 653)	7 195 363
Adjustments for:		
Depreciation and amortisation	112 943 498	115 484 153
Loss/gain on disposal of assets	1 148 272	631 023
Debt impairment	70 543 356	57 609 077
Movements in retirement benefit liabilities	1 253 398	(31 886 000)
Movements in provisions	(4 846 440)	(3 797 855)
Other non-cash items	(1 055 011)	(4 452 879)
Changes in working capital:		
Inventories	(1 884 911)	(342 805)
Other receivables from exchange transactions	(1 161 281)	1 934 113
Consumer debtors	(74 834 523)	(43 276 349)
Other receivables from non-exchange transactions	(3 159 717)	(34 902 162)
Trade and other payables from exchange transactions	(10 905 796)	17 419 080
VAT	2 042 319	(941 967)
Unspent conditional grants and receipts	148 590	-
Consumer deposits	1 372 840	469 378
Short term portion of long-term liability	50 594	5 352 626
	69 965 535	86 494 796

54. Change in estimate

Property, plant and equipment

2015

No changes were made to the useful lives of assets.

2014

Property, plant and equipment

Management has revised their estimate useful life of the property, plant and equipment. The effect of this revision has increased the depreciation charges for the current period.

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54. Change in estimate (continued)

Property, plant and equipment - 2015	Before the change in useful life	After the change in useful life	Difference
Infrastructure	1 330 393	1 330 394	1
Community	351 478	351 347	131
Other property, plant and equipment	4 268 814	3 474 840	793 974
	5 950 685	5 156 581	794 106

Property, plant and equipment - 2014	Before the change in useful life	After the change in useful life	Difference
Infrastructure	100 321 075	99 962 013	(359 063)
Community	5 366 843	9 409 511	4 042 668
Other property, plant and equipment	4 572 861	4 306 568	(266 292)
Leased Assets	1 258 696	1 257 195	(1 501)
	111 519 475	114 935 287	3 415 812

Intangible Assets

2015

No changes were made to the useful lives of assets.

2014

Management has revised their estimate useful life of the intangible assets. The effect of this revision has decreased the depreciation charges for the current period.

Intangible Assets	Before the change in useful life	After the change in useful life	Difference
Computer software, other	86 481	85 344	(1 137)

Summary of change in estimate: PPE and Intangible assets

2015

No changes were made to the useful lives of assets.

2014

The effect of this revision has increased the depreciation for the current and future periods by R 3 414 675

Asset type	Before the change in useful life	After the change in useful life	Difference
Property, plant and equipment	111 519 475	114 935 287	3 415 812
Intangible Assets	86 481	85 344	(1 137)
	111 605 956	115 020 631	3 414 675

Employee benefit obligation

Management has revised their policy with regards to staff that qualifies for post-retirement benefits. The Midvaal Municipality has resolved on the 19th September 2013 to not make post retirement medical benefits available to those who does not qualify as per SALGA's policy decision on post retirement medical and subsidies adopted by SALGA Exco on 8 July 2004. The effect of this revision has decreased the benefits for the current period.

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54. Change in estimate (continued)			
2015			
	Before the change in employee benefit obligation	After the change in employee benefit obligation	Difference
Defined benefit obligation (medical aid)	4 528 000	5 781 398	1 253 398
2014			
	Before the change in employee benefit obligation	After the change in employee benefit obligation	Difference
Defined benefit obligation (medical aid)	36 414 000	4 528 000	(31 886 000)

55. Other information

The municipality registered a Public Private Partnership with National Treasury in terms of Sec 120 of the MFMA for the assessment of the unsolicited bid for the management and maintenance of electricity operations. As at 30 June 2015 the municipality was in the process of procuring a transactional advisor to commence with the feasibility study.

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	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2015											
Financial Performance											
Property rates	130 588 389	2 041 250	132 629 639	-		132 629 639	134 780 356		2 150 717	102 %	103 %
Service charges	479 663 753	(7 695 489)	471 968 264	-		471 968 264	442 118 545		(29 849 719)	94 %	92 %
Investment revenue	2 000 000	1 300 000	3 300 000	-		3 300 000	6 011 672		2 711 672	182 %	301 %
Transfers recognised - operational	77 168 902	1 061 577	78 230 479	-		78 230 479	75 417 846		(2 812 633)	96 %	98 %
Other own revenue	42 522 741	38 776 225	81 298 966	-		81 298 966	84 746 181		3 447 215	104 %	199 %
Total revenue (excluding capital transfers and contributions)	731 943 785	35 483 563	767 427 348	-		767 427 348	743 074 600		(24 352 748)	97 %	102 %
Employee costs	(186 356 469)	(773 837)	(187 130 306)	-	-	(187 130 306)	(172 597 945)	-	14 532 361	92 %	93 %
Remuneration of councillors	(9 052 058)	-	(9 052 058)	-	-	(9 052 058)	(9 045 852)	-	6 206	100 %	100 %
Debt impairment	(28 679 751)	(36 030 165)	(64 709 916)			(64 709 916)	(70 543 356)	-	(5 833 440)	109 %	246 %
Depreciation and asset impairment	(131 699 993)	-	(131 699 993)			(131 699 993)	(112 943 498)	-	18 756 495	86 %	86 %
Finance charges	(18 805 823)	(1 000 000)	(19 805 823)	-	-	(19 805 823)	(18 898 632)	-	907 191	95 %	100 %
Materials and bulk purchases	(283 638 999)	(110 424)	(283 749 423)	-	-	(283 749 423)	(216 707 924)	-	67 041 499	76 %	76 %
Transfers and grants	-	-	-	-	-	-	(25 662 572)	-	(25 662 572)	DIV/0 %	DIV/0 %
Other expenditure	(162 756 945)	(1 521 415)	(164 278 360)	-	-	(164 278 360)	(174 949 403)	-	(10 671 043)	106 %	107 %
Total expenditure	(820 990 038)	(39 435 841)	(860 425 879)	-	-	(860 425 879)	(801 349 182)	-	59 076 697	93 %	98 %
Surplus/(Deficit)	(89 046 253)	(3 952 278)	(92 998 531)	-		(92 998 531)	(58 274 582)		34 723 949	63 %	65 %

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	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	31 186 000	(864 000)	30 322 000	-		30 322 000	30 027 410		(294 590)	99 %	96 %
Contributions recognised - capital and contributed assets	1 530 000	4 343 226	5 873 226	-		5 873 226	6 557 519		684 293	112 %	429 %
Surplus (Deficit) after capital transfers and contributions	(56 330 253)	(473 052)	(56 803 305)	-		(56 803 305)	(21 689 653)		35 113 652	38 %	39 %
Surplus/(Deficit) for the year	(56 330 253)	(473 052)	(56 803 305)	-		(56 803 305)	(21 689 653)		35 113 652	38 %	39 %
Capital expenditure and funds sources											
Total capital expenditure	89 045 928	(15 162 236)	73 883 692	-		73 883 692	70 024 221		(3 859 471)	95 %	79 %

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	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	-	-	-	-	-	-	69 965 535		69 965 535	DIV/0 %	DIV/0 %
Net cash from (used) investing	-	-	-	-	-	-	(66 484 598)		(66 484 598)	DIV/0 %	DIV/0 %
Net cash from (used) financing	-	-	-	-	-	-	(19 431 561)		(19 431 561)	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	-	-	-	-	-	-	(15 950 624)		(15 950 624)	DIV/0 %	DIV/0 %
Cash and cash equivalents at the beginning of the year	-	44 883 652	44 883 652	-	-	44 883 652	91 470 824		46 587 172	204 %	DIV/0 %
Cash and cash equivalents at year end	-	44 883 652	44 883 652	-	-	44 883 652	75 520 200		(30 636 548)	168 %	DIV/0 %

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	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
2014				
Financial Performance				
Property rates				106 157 365
Service charges				421 537 853
Investment revenue				4 850 916
Transfers recognised - operational				77 248 405
Other own revenue				79 286 715
Total revenue (excluding capital transfers and contributions)				689 081 254
Employee costs	-	-	-	(125 997 709)
Remuneration of councillors	-	-	-	(8 740 935)
Debt impairment	-	-	-	(57 609 077)
Depreciation and asset impairment	-	-	-	(115 484 153)
Finance charges	-	-	-	(16 722 328)
Materials and bulk purchases	-	-	-	(198 229 883)
Transfers and grants	-	-	-	(24 777 916)
Other expenditure	-	-	-	(161 700 004)
Total expenditure	-	-	-	(709 262 005)
Surplus/(Deficit)				(20 180 751)
Transfers recognised - capital				27 316 000
Contributions recognised - capital and contributed assets				60 114
Surplus (Deficit) after capital transfers and contributions				7 195 363
Surplus/(Deficit) for the year				7 195 363
Capital expenditure and funds sources				
Total capital expenditure				86 171 551

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	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Cash flows				
Net cash from (used) operating				86 494 796
Net cash from (used) investing				(76 441 805)
Net cash from (used) financing				40 933 646
Net increase/(decrease) in cash and cash equivalents				50 986 637
Cash and cash equivalents at the beginning of the year				40 484 187
Cash and cash equivalents at year end				91 470 824

MIDVAAL LOCAL MUNICIPALITY

Appendix A

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure			
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun
Equitable Share	National Government	24 033 000	20 239 000	16 444 000	-	-	-	-	-
MIG	National Government	11 075 000	12 265 000	6 496 000	-	6 503 490	4 508 370	7 519 084	11 252 224
FMG	National Government	1 450 000	-	-	-	233 740	372 810	151 148	692 302
MSIG		934 000	-	-	-	266 175	533 820	91 864	42 141
EPWP		454 000	340 000	341 000	-	427 079	532 821	175 100	-
DSACR		4 080 000	-	-	-	589 168	776 477	1 312 373	1 230 949
GDARD		-	-	490 000	-	-	-	-	341 410
Provincial Heath (Clinics)		368 678	790 341	723 040	1 438 860	1 296 710	1 277 033	1 162 013	1 234 271
Environmental Health		-	1 144 389	378 750	709 043	672 606	661 682	516 018	557 702
		42 394 678	34 778 730	24 872 790	2 147 903	9 988 968	8 663 013	10 927 600	15 350 999